

Message Text

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70

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-03 DRC-01 /139 W

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8584

INFO AMEMBASSY CANBERRA

CINCPAC

AMCONSUL AUCKLAND

C O N F I D E N T I A L WELLINGTON 2737

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: PINT, PFOR, NZ, US

SUBJECT: QUARTERLY ASSESSMENT: NEW ZEALAND AS IT AFFECTS THE US

REF INGERSOLL-WOOD LETER 12/30/73

1. SUMMARY - RELATIONS BETWEEN THE US AND NZ CONTINUE TO FOCUS PRIMARILY ON TRADE. WITH MEAT IMPORT RESTRICTIONS IN FORCE IN MUCH OF THE WORLD THE UNITED STATES IS THE ONLY MAJOR MARKET REMAINING OPEN TO NEW ZEALAND'S MAJOR EXPORTS. DECREASED FOREIGN EXCHANGE EARNINGS COMBINED WITH INCREASED FOREIGN EXCHANGE EXPENDITURES HAVE SERIOUSLY AFFECTED NEW ZEALAND'S BALANCE OF PAYMENTS POSITION. INFLATION IS ERODING NOT ONLY PURCHASING POWER BUT ALSO CONFIDENCE IN PM KIRK'S LABOUR GOVERNMENT. THE NATIONAL PARTY, UNDER THE NEW LEADERSHIP OF ROBERT MULDOON, MUST BE CONSIDERED TO HAVE A CHANCE TO WIN THE NOVEMBER 1975 ELECTIONS. WHILE A CHANGE IN GOVERNMENTS WOULD NOT SERIOUSLY AFFECT

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OUR RELATIONS WITH NEW ZEALAND, THIS COUNTRY'S CURRENT

BALANCE OF PAYMENTS DIFFICULTIES CAN ONLY BE VIEWED AS SOMEWHAT DETREMENTAL TO HER STRENGTH AS AN ALLY PARTICULARLY IN SOTHEAST ASIA. PRIME MINISTER KIRK'S HOSPITALIZATION WILL KEEP HIM OUT OF DAY-TO-DAY POLITICAL ACTIVITIES FOR THE NEXT SIX WEEKS BUT SHOULD NOT CAUSE AN UNDUE AMOUNT OF STRAIN ON THE GOVERNMENT. END SUMMARY.

2. DOMESTICALLY, INFLATION AND THE BALANCE OF PAYMENT PROBLEMS HAVE BECOME A MAJOR POLITICAL FOCI. ROBERT MULDOON, WHO TOOK OVER LEADERSHIP OF THE NATIONAL PARTY IN EARLY JULY, CAN BE COUNTED ON TO SPEND THE FIFTEEN MONTHS UNTIL THE 1975 ELECTIONS CAMPAIGNING ON THE BASIS THAT HE UNDERSTANDS ECONOMICS AND WOULD, IF ELECTED, RESOLVE THE COUNTRY'S PROBLEMS IN THIS AREA. GIVEN THE FACT THAT OUTSIDE FORCES HEAVILY INFLUENCE THE NZ ECONOMY MULDOON MAY NOT BE ABLE TO DELIVER BUT VOTERS WILL BE IMPRESSED JUST THE SAME IF INFLATION AND BALANCE OF PAYMENTS DEFICITS CONTINUE.

3. FOR THE US, NEW ZEALAND'S ECONOMIC PROBLEMS WILL RESULT IN SOME CLOSE ATTENTION TO BILATERAL TRADE, PARTICULARLY NEW ZEALAND'S EXPORTS OF PRIMARY AGRICULTURAL PRODUCTS. WITH OTHER MAJOR MARKETS FOR MEAT NOW EFFECTIVELY CLOSED THE US IS THE ONLY COUNTRY WHERE NEW ZEALAND CAN SELL LARGE QUANTITIES OF ITS BEEF. UNILATERAL REIMPOSITION BY THE UNITED STATES OF RESTRICTIONS ON BEEF IMPORTS WOULD BE A SERIOUS BLOW TO THE NEW ZEALAND ECONOMY. BALANCE OF PAYMENTS PROBLEMS ARISING FROM SUCH AN ACTION COULD CAUSE THIS COUNTRY TO REEXAMINE VERY CAREFULLY ITS OVERSEAS COMMITMENTS INCLUDING SEATO, ANZUS, THE FIVE POWER DEFENSE ARRANGEMENTS (FPDA) AND PERHAPS EVEN FOREIGN AID. WHILE WE DOUBT THAT ANZUS (WHICH DOES NOT REQUIRE MUCH FOREIGN EXCHANGE EXPENDITURE) WOULD BE GREATLY AFFECTED IN SUCH A SITUATION, THE OTHER AREAS COULD SUFFER.

4. AS EVIDENCED BY MINISTER OF DEFENSE FAULKNER'S RECENT TRIP TO SOUTHEAST ASIA, NEW ZEALAND'S COMMITMENT TO THAT PART OF THE WORLD REMAINS STRONG. SEATO AND THE FPDA
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ARE SEEN BY THE GNZ TO BE NECESSARY NOT ONLY AS INDICATIONS OF NEW ZEALAND INTEREST BUT AS WAY TO MAKE AMERICAN PRESENCE IN SOUTHEAST ASIA LESS OF AN INTERNATIONAL POLITICAL LIABILITY.

5. PRIME MINISTER KIRK WAS HOSPITALIZED FOR SIX WEEKS OF REST ON AUGUST 28. KIRK HAD NOT FULLY RECOVERED FROM AN APRIL VARICOSE VEINS OPERATION COMPLICATED BY A

PULMONARY EMBOLISM WHEN HE CONTRACTED GASTRIC INFLUENZA
IN MID-AUGUST. KIRK'S LEADERSHIP IS NOT IN QUESTION AND
HE SHOULD HAVE NO PROBLEMS WITH HIS PARTY IF HE DOES, IN
FACT, RETURN TO THE POLITICAL ARENA IN MID-OCTOBER FIT
AND RESTED. FAILURE TO DO SO, HOWEVER, MIGHT WELL RESULT
IN HIS HAVING TO FACE A SERIOUS CHALLENGE FROM A LABOUR
CAUCUS LOOKING FOR STRONG AND ACTIVE LEADERSHIP.
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